

### Why the outsourcing *hungama*

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**T**HE most puzzling and thorniest issue that has generated heat in the American politics resulting in worldwide debate is the swelling up of the 'offshore outsourcing phenomena' across the globe. The Business Process Outsourcing (BPO), as it is called, is not a new phenomenon. Rochester, a New York-based company, for instance, has been outsourcing payroll processing for small businesses since 1971. Thus the process itself is not new but with communication technology (especially the Internet) lending itself to the BPO process, a new phase seems to have begun. Companies in the USA and Europe can now transfer a significant amount of back office work and call centre jobs to developing countries and operate them efficiently.



Outsourcing has become a contentious political issue in the US and other rich countries from where jobs are being outsourced. People in the USA, UK and Australia are protesting against the shifting of jobs overseas. In the USA, as a result of public pressure, the first Federal law against outsourcing was passed on January 23. As soon as the Bill was passed, there was a flood of reaction from those countries that were being affected.

The USA is outsourcing predominantly to India and China and to a comparatively lesser extent to the Philippines and Russia. Britain is outsourcing mainly to India. France is outsourcing to Northern Africa, Spain to Central America and Germany is outsourcing to West Africa and Eastern Europe. In fact cost reduction, quality control and productivity are the three reasons as to why the concept has attracted the corporate world. BPO is a consumer driven process. Consumers want lower prices and free choice.

Apart from the consumers, it is the English speaking developing economies like India that have so many things to gain from the emerging trend of outsourcing. India is increasingly seen as the BPO destination of the world due to reasons such as the availability of cost competitive talent, appropriate time zones, especially with the USA, which reduces turn around time, availability of infrastructural requirements and government support. BPO concept has emerged as the saviour of the Indian industries that was grappling with revenue problems. But there are losers too. The problem of job loss in outsourcing countries is real. According to University of California Berkeley (UCB) study report a total of 14 million US service jobs were at risk of being sent

overseas. Forrester Research, a market research firm predicts that at least 3.3 million white-collar jobs and \$ 136 billion in wages will shift from the US to low cost countries by 2015.

Thus much of the controversy over outsourcing in the USA is directly linked to the jobs scenario. Does the January 23 Bill mean that America is moving a step away from free marketism? Is America losing its standing as an open society? Till recently, the US was overwhelmed by hypocognition (The term used by Frances Moore Lappe' in Hope's Edge, 2002) by virtue of which they conjured up all positive images of globalisation and could not understand what really was going on or that there was anything wrong with the globalism or free trade. Now they are being tormented by the monster they themselves had so passionately patronised. This monster just knows 'the single principle of highest return to existing wealth,' that's all.

People in the USA are demanding that the subsidies from the outsourcing companies should be withdrawn, tax breaks should not be given to them and more punitive action be imposed to make this practice of going offshore too costly for American businesses. But this neo-protectionism is too weak to counter the emerging tide of BPO that makes an immense economic sense to the big business groups in USA. The business groups and the countries that are beneficiaries of the BPO have completely disapproved of the US government's move to ban outsourcing. They say such a move goes against the spirit of globalisation and is a disincentive for the corporations that send jobs abroad. Such bans even violate regulations. Under the WTO norms, the US government has committed that it will not restrict any entity belonging to a WTO member country from providing services to US entities from outside the US. On this basis, the US also become liable to face legal challenge at the dispute resolution tribunal of WTO. The Indian line of argument is that the ban won't effect Indian BPO business in any way as the government dealing constitute only 2 per cent of jobs that are outsourced from America, yet the move deserves to be opposed as a principle since it is against globalization and free trade.

Academics are attempting to work out a 'replacement theory' to reassure that in the US new jobs will take the place of the hundreds of thousands of programming, call-centre, and other jobs shipped out to the Asian countries. They frequently point to the US at the start of the 1900s, when about half the population worked in farming. Today it has reduced to about 5 per cent with all kinds of jobs having replaced farming.

### IT WIT by Sandeep Joshi



**You never know what  
MyDoom and bird flu  
may mutate into**

Despite all positive points that are highlighted in support of the BPO phenomenon and despite the fact that India has everything to gain, one cannot feel easy. Human issues are involved and there is a real problem of transition. One cannot go and tell the losers what study reports are saying about 'short term pain and medium term gain'. The so-called short-term pain is extinguishing the flame of their life. There are those to whom protectionism is the answer but in reality, far from solving the problem, it might create new ones. American products will be more expensive if outsourcing is prohibited. They will be ousted from world markets and the American people will lose their jobs. On the other hand, if the US allows outsourcing to continue then the American MNCs will transfer a lot of jobs to India. The Americans stand to lose in either situation. Thus the challenge here is of choosing the lesser evil. A company in the US or elsewhere in Europe has two options; either to offshore 10 per cent of jobs and save 90 per cent or to offshore none and lose all.